INTERNATIONAL CRIMINAL POLICE ORGANIZATION (ICPO) – INTERPOL

FINANCIAL STATEMENTS

2016

30 June 2017

INTERPOL

REPORT OF MANAGEMENT

The International Criminal Police Organization (ICPO) – INTERPOL management is given the responsibility for the production of the financial statements in Regulation 6.3 of its Financial Regulations. The ICPO – INTERPOL has adopted International Public Sector Accounting Standards (IPSAS) as its accounting reference standard. These financial statements have been prepared in accordance with IPSAS and the ICPO – INTERPOL Financial Regulations and management considers that it has been compliant with both throughout the year.

The Secretary General is responsible for establishing and maintaining adequate internal financial controls. The Organization's system of internal financial control is designed to provide reasonable assurance regarding the reliability of financial reporting, the preparation of financial statements and the prevention, detection and reporting of fraud. The system of internal control includes policies and procedures at both the Organizational level and transactional level.

Organizational level controls include, in addition to an internal audit function, the policies and procedures that set the internal financial control environment and provide for maintenance of records and the setting of respective authorization levels. Transactional level controls provide reasonable assurance that the Organization complies with the policies, procedures and Financial Regulations for all receipts and expenditures and for the prevention and detection of unauthorized acquisition, use or disposition of the Organization's assets.

Management has reasonable assurance that its system of internal financial control has been operating effectively during the year and that there are no material misstatement or omissions. Management establishes controls to investigate reported incidents of fraud. No reported incidents were substantiated during the year. Management therefore considers that these financial statements present a true and fair view of the Organization's financial position as at 31 December 2016 and the results of financial operations and cash flows for the year at that date.

In addition, Senior Management makes a declaration on any of their or their related parties' outside interests that may be conflictual or prejudicial to the Organization and that could call into question their independence in exercising their ICPO – INTERPOL functions. There have been no declarations that have a material impact on these financial statements nor in the commitments that the Organization has made to third parties.

The financial statements were approved by management on 30 June 2017. The statements are audited by the Auditor General of Canada, who was appointed by the General Assembly for a three year term beginning in November 2016.

Jürgen Stock	**Laurent Grosse-Kozłowski**
Secretary General	Executive Director, Resource Management

Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of the International Criminal Police Organization–INTERPOL

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of the International Criminal Police Organization (ICPO)–INTERPOL (the Organization), which comprise the statement of financial position as at 31 December 2016, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Organization in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Matter

The financial statements of the Organization for the year ended 31 December 2015 were audited by another auditor who expressed an unmodified opinion on those statements on 2 May 2016.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on Other Legal and Regulatory Requirements

As required by the Financial Regulations of the Organization, I report that, in my opinion, the accounting principles in International Public Sector Accounting Standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Organization that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the Organization's Financial Regulations.

In accordance with Chapter 7, Section 2, Regulation 7.7 of the Financial Regulations and Appendix 2 to these Financial Regulations, I have also issued a detailed report on my audit of ICPO–INTERPOL to the General Assembly.

Michael Ferguson, CPA, CA
FCPA, FCA (New Brunswick)
Auditor General of Canada

Ottawa, Canada
30 June 2017

STATEMENT OF FINANCIAL POSITION
As at 31 December
(in EUR 000s)

	Notes	2016	2015 *Restated Note 7*
ASSETS			
Current Assets			
Cash and Cash Equivalents	**8**	100,395	75,114
Investments	**9**	-	2,846
Statutory Contributions Receivable	**10**	3,057	4,513
Accounts Receivable	**11**	7,827	7,500
Prepaid Expenses		1,799	1,543
Inventories		534	563
Total Current Assets		**113,612**	**92,079**
Non-Current Assets			
Investments	**9**	4,031	31
Statutory Contributions Receivable	**10**	252	285
Intangible Assets	**12**	1,211	1,130
Plant, Property and Equipment	**13**	16,637	18,630
Total Non-Current Assets		**22,131**	**20,076**
TOTAL ASSETS		**135,743**	**112,155**
LIABILITIES			
Current Liabilities			
Accounts Payable and Accrued Charges	**14**	6,920	6,955
Contributions Received in Advance	**15**	8,835	6,714
Project Trust Accounts	**16**	49,742	29,288
Employee Future Benefits	**17**	8,109	8,613
Total Current Liabilities		**73,606**	**51,570**
Non-Current Liabilities			
Employee Future Benefits	**17**	19,060	17,528
Total Non-Current Liabilities		**19,060**	**17,528**
TOTAL LIABILITIES		**92,666**	**69,098**
NET ASSETS			
Capital Financing Reserve	**19**	17,848	19,760
Accumulated Reserve Funds	**20**	25,229	23,297
TOTAL NET ASSETS		**43,077**	**43,057**

The accompanying notes form an integral part of these financial statements

STATEMENT OF FINANCIAL PERFORMANCE
For The Financial Year Ended on 31 December
(in EUR 000s)

EUR 000s	**Notes**	**Revised Combined Budget 2016**	**Actual 2016**	**Actual 2015** *Restated Note 7*
Operating Revenue	**28**			
Statutory Contributions		52,783	52,783	52,783
Regional Bureau Financing		1,230	1,230	1,195
In-Kind Contributions		33,159	32,597	33,373
Voluntary Contributions		576	3,551	561
Reimbursements and Recoveries		33,530	21,976	24,130
Financial Income		500	631	657
Other Income		1,361	653	580
Exchange Rate Gains/(Losses) Net		-	307	364
Total Operating Revenue		**123,139**	**113,728**	**113,643**
Operating Expenses	**29**			
Pay Costs		54,033	49,941	50,741
In-Kind Pay Costs		24,392	20,508	21,322
Other Staff Costs		1,547	1,566	1,443
Premises Running Costs		3,193	2,992	3,143
In-Kind Premises Running Costs		8,767	12,089	12,051
Maintenance		3,050	2,524	2,318
Missions and Meetings		16,065	12,539	12,738
Office Expenses		2,549	2,712	2,141
Telecommunication Costs		1,700	1,052	1,270
Third Party and Other Costs		5,565	2,697	4,720
Depreciation and Amortization		4,761	5,088	4,935
Total Operating Expenses		**125,622**	**113,708**	**116,822**
Surplus (Deficit) for the year		**(2,483)**	**20**	**(3,179)**

The accompanying notes form an integral part of these financial statements

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STATEMENT OF CHANGES IN NET ASSETS
For The Financial Year Ended on 31 December
(in EUR 000s)

	Capital Financing Reserve	*Accumulated Reserve Funds*	**Breakdown of Accumulated Reserve Funds**				
			General Reserve Fund	*Permanent Fund for Crisis Relief*	*Special Allocations Fund*	*Capital Investment Fund*	*RB Reserve fund*
Notes	19	20	21	22	23	24	25
Balance at 31 December 2014	**20,817**	**25,419**	**15,256**	**855**	**1,681**	**6,377**	**1,250**
Surplus (Deficit) for the year	-	(3,179)	(2,682)	-	(647)	-	150
Items not in the Statement of Financial Performance							
- Capital Expenditure	3,902	(3,902)	-	-	-	(3,902)	-
- Depreciation and Amortization	(4,935)	4,935	-	-	-	4,935	-
- Disposals	(24)	24	-	-	-	24	-
Transfers	-	-	-	-	-	-	-
Balance at 31 December 2015	**19,760**	**23,297**	**12,574**	**855**	**1,034**	**7,434**	**1,400**
Surplus (Deficit) for the year	-	20	170	-	(251)	-	101
Items not in the Statement of Financial Performance							
- Capital Expenditure	3,178	(3,178)	-	-	-	(3,178)	-
- Depreciation	(5,088)	5,088	-	-	-	5,088	-
- Disposals	(2)	2	-	-	-	2	-
Transfers	-	-	1,000	-	-	(1,000)	-
Balance at 31 December 2016	**17,848**	**25,229**	**13,744**	**855**	**783**	**8,346**	**1,501**

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For The Financial Year Ended on 31 December
(in EUR 000s)

	Notes	2016	2015 *Restated Note 7*
Cash Flows From Operating Activities			
Surplus (Deficit)		20	(3,179)
Adjustments for non-cash movements:			
Depreciation and Amortization	**12, 13**	5,088	4,935
Effect of unrealized (gains) losses on foreign currency		(317)	56
Changes in assets			
(Increase) Decrease in Statutory Contributions Receivables	**10**	1,489	(1,172)
(Increase) Decrease in Accounts Receivables	**11**	(327)	1,194
(increase) Decrease in Prepaid Expenses		(256)	(1,543)
(increase) Decrease in Inventories		29	2
Changes in liabilities			
Increase (Decrease) in Accounts Payable and Accrued Charges	**14**	(35)	(676)
Increase (Decrease) in Contributions Received in Advance	**15**	2,121	1,247
Increase (Decrease) in Project Trust Accounts	**16**	20,454	2,644
Increase (Decrease) in Employee Future Benefits	**17**	1,028	4,411
Net Cash Flows from Operating Activities		**29,294**	**7,919**
Cash Flows From Investing Activities			
Purchases of Plant, Property and Equipment	**13**	(2,392)	(3,156)
Purchases of Intangible Assets	**12**	(784)	(722)
Purchases of Investments	**9**	(4,000)	(2,846)
Proceeds from sale of Investments	**9**	2,846	6,004
Net Cash Flows from Investing Activities		**(4,330)**	**(720)**
Effect of foreign currency exchange rates in cash and cash equivalents		317	(56)
Net increase(decrease) in Cash and Cash Equivalents		**25,281**	**7,143**
Cash and Cash Equivalents at the Beginning of Period	**8**	75,114	67,971
Cash and Cash Equivalents at the End of Period	**8**	**100,395**	**75,114**

EUR 748,000 of interest received is included in the net cash flows from operating activities (2015: EUR 722,000).

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: General Information

The International Criminal Police Organization – INTERPOL (ICPO-INTERPOL), referred hereinafter as "the Organization", was founded in 1923 to enhance police co-operation around the world. The Organization currently has 190 countries as its members.

The aims of the Organization are to:

- Ensure and promote the widest possible mutual assistance between all criminal police authorities within the limits of the laws existing in the different countries and in the spirit of the "Universal Declaration of Human Rights";
- Establish and develop all institutions likely to contribute effectively to the prevention and suppression of ordinary law crimes.

The vision of the Organization is "Connecting Police for a Safer World"; its mission is "preventing and fighting crime through enhanced cooperation and innovation on police and security matters".

The Organization carries out its mission by focusing on its five strategic goals:

1. Serve as the worldwide information hub for law enforcement cooperation;
2. Deliver state-of-the-art policing capabilities that support member countries to fight and prevent transnational crimes;
3. Lead globally innovative approaches to policing;
4. Maximize ICPO-INTERPOL's role within the global security architecture;
5. Consolidate resources and governance structures for enhanced operational performance.

The Organization is governed by its members. The members elect representatives from each region to sit on its Executive Committee (EC); they elect the Secretary General, responsible for operational management, for a term of five years; they approve its governing texts, the Constitution and General Regulations. The Organization's Financial Regulations are an appendix to its General Regulations. The current Secretary General was elected in November 2014 for a term of five years.

The Organization has its General Secretariat headquarters (IPSG) in Lyon, France, and the INTERPOL Global Centre for Innovation (IGCI) in Singapore. It has representative liaison offices (LOs) in Brussels, Belgium; Bangkok, Thailand; Addis Ababa, Ethiopia; and New York, USA.

The Organization has Regional Bureaus (RBs) in Abidjan, Côte d'Ivoire; Buenos Aires, Argentina; Harare, Zimbabwe; Nairobi, Kenya; San Salvador, El Salvador; Yaoundé, Cameroon. It has legal agreements with each of these countries and operates in each country in accordance with these agreements.

In addition, each member country has a representative office, known as the ICPO-INTERPOL National Central Bureau (NCB), through which the Organization may also operate.

The Organization may also enjoy certain privileges and immunities in the countries in which it operates, notably that of being exempt from paying most forms of taxation.

Note 2: Management of the Activities of the Organization

The Organization organizes and manages its activities through its Strategic Framework and the General Program of Activities. The General Program of Activities, including the Combined Budget, is the annual plan of the Organization for the following financial period. It is approved by the members at the annual General Assembly (GA). See Note 26 for the Combined Budget that is approved by the GA. Further devolutions of this approved budget may be carried out at an operational level, resulting in a Revised Combined Budget. Explanations of the Organization's various budgets and of its budgetary processes are described in Note 4 below.

The approval of the Combined Budget empowers the Secretary General to:

- Commit and authorize expenditures and make all payments borne by the Organization for approved activity up to approval limits;
- Receive income entered in the budget, together with other resources accruing to the Organization up to approval limits.

Note 3: Basis of Preparation of the Financial Statements

These financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS), issued by the International Public Sector Accounting Standards Board (IPSASB) and the Organization's Financial Regulations. All transactions and operations are to comply with the Organization's governing texts: its Constitution, Financial Regulations and Financial and Staff Directives.

Management has expressed confidence on the use of the going concern basis:

1. The 2016 ICPO-INTERPOL GA in Bali, Indonesia, approved the Strategic Framework for the period 2017-2020 and supported its implementation over the next four years;
2. The GA supported the INTERPOL 2020 initiative as an agenda for global reform of the Organization and endorsed the consolidated recommendations;
3. The Combined Budget for 2017 was approved by member countries and several member countries have already made their contributions to the 2017 Budget.

The financial statements have been prepared on a historical cost basis, except for the valuation of in-kind revenue and the revaluation of financial instruments which are at fair value.

To ensure consistency in presentation, some rounding of balances has been undertaken. Unless otherwise stated, information is presented to the nearest one thousand Euros (EUR 1,000).

Note 4: Budgets and Budgetary processes

The Combined Budget of the Organization consists of the Regular Budget and Specific Budgets. The latter are composed of Trust Funds and Special Accounts, collectively called Project Trust Accounts, and the Special Allocations Fund (SAF). The Regular Budget consists of the General Budget and Regional Bureau (RB) Budgets. The General Budget extends support to all of the Organization’s activities, while RB Budgets are specific in supporting operational activities at each RB. However, Pay Costs and Capital Expenditures at the RBs are supported out of the General Budget, due to the strategic nature of these costs. The General Reserve Fund (GRF) and the Capital Investment Fund (CIF) are linked to the General Budget, while the RB Reserve Fund links to RB Budgets. Details are in Note 20 Accumulated Reserve Funds*,* Note 21 General Reserve Fund and Note 25 RB Reserve Fund.

Project Trust Accounts finance special activities of the Organization on the basis of agreements with donor countries and organizations from both the public and private sectors. The execution of Project Trust Accounts does not necessarily follow the Organization’s annual Regular Budget cycle. Extensions and amendments to these Project Trust Account budgets are made with donor approval and these are ratified by the EC as required according to the Financial Regulations. The Special Allocation Fund Budget is for specific expenditures linked to the conditions of the Special Allocation Fund (SAF). Only residual expenditures for finalizing existing approved projects are accounted for against the SAF.

GA approved budgets for a year may subsequently be reallocated in recognition of operational necessities which are then approved by the EC. The EC also approves additions, under the Financial Regulations, extensions and amendments to the Budgets of Project Trust Accounts that have been made with donor approval. The latter are also treated as reallocations of GA-approved budgets and are shown in Note 26 Combined Budget. Budget comparisons in the financial statements are made against the EC approved revisions.

Note 5: Significant Accounting Policies

The principal accounting policies adopted by the Organization are set out below:

Revenue Recognition

Statutory Contributions are recognized as annual income on the Regular Budget of the Organization for each financial year on the basis of GA approval for that year’s budget. Member country statutory contributions are set in accordance with an agreed scale of assessed contributions that is approved in advance by the GA. The current scale is valid for the period from 2015 to 2018. All 190 members of the Organization are obliged to contribute annual contributions according to the approved scale.

Regional Bureau Financing consist of statutory contributions received by the Organization to support RB operations. A total of 68 member countries support the Organization’s six RBs. The contributions are recognized as revenue in the financial year that they are due on the basis of the GA approval for that year’s operating budget of the individual RBs.

In-Kind Contributions are non-cash, voluntary contributions from member countries of certain services, such as seconded officials from their national law enforcement agencies and the rent-free use of buildings, equipment and other facilities, on the basis of a defined contract between the Organization and the member country or organization that also defines the permitted use of the service. The value of these services is estimated on a fair value basis and an equivalent expense is also recognized in the financial statements.

Voluntary Contributions are donations received with no specific or defined purpose and are recognized in the year of their receipt. Voluntary contributions include amounts without restriction received from the INTERPOL Foundation for a Safer World.

Reimbursements and Recoveries include:

- Amounts reimbursed for operating expenses under a specific agreement. These are accounted for when the right to receive them is established including on Project Trust Accounts;
- Revenues received by the Organization from conferences such as the GA for the sale of exhibitor booths. These are accounted for when the right to the income is established.

The amounts received under Project Trust Accounts are within specific agreements with external donors for the implementation of special project activities by the Organization. These received amounts are initially accounted as financial liabilities of the Organization and are subsequently recognized as income to the extent of direct or accrued expenditure on the defined project activities.

Projects share Regular Budget resources and infrastructure and also benefit by having access to law enforcement experts. For this reason, overhead recoveries, expert fees and charges for other services such as office rentals, are invoiced to the Project Trust Accounts from the Regular Budget for the use of the Organizational facilities and services. These charges are also accounted within this category of Reimbursements and Recoveries and result in a combination adjustment being made between budgets for these services. All such costs on Project Trust Accounts are agreed in advance with the sponsor, either in a specific contract or in the general terms and conditions of operation of a Trust Fund.

Financial Income is accounted for on an accrual basis as earned by the various amounts in the Organization’s bank accounts and other investments. Income is then allocated accordingly between Regular budget funds and Project Trust Accounts funds.

Operating Leases charges are expensed on a straight-line basis over the lease term. Lease agreements entered into are classified as operating leases unless they substantially transfer all of the risk and reward of ownership.

Foreign Currencies: All statutory and voluntary contributions to the Organization’s Regular Budget are payable in Euros. Foreign currency transactions are recorded in Euros at the exchange rates prevailing on the dates of the transactions for the settlement of invoices and for goods receipts, and at an average rate from the previous month for other accounting transactions. Assets and liabilities denominated in foreign currencies are translated into Euros at the exchange rates prevailing on the date of the Statement of Financial Position.

Both realized and unrealized gains and losses resulting from the settlement and revaluation of foreign currency transactions are recognized in the Statement of Financial Performance.

Plant, Property and Equipment and Intangible Assets: These are recorded at cost and depreciated or amortized to recognize the consumption of economic benefits of the assets over their useful lives. Where the historic book value of an asset is greater than its estimated recoverable amount, the asset is written down to its recoverable amount.

Plant, Property and Equipment:

Buildings are depreciated on a straight-line basis over 40 years.

Fixtures and Fittings: Furniture and office equipment are depreciated on a declining balance basis at 40% of net asset value at the start of the year, over 7 years. Fittings and sports equipment are depreciated on a straight-line basis over 10 years.

Equipment and other assets: Computer hardware and telecommunications equipment is depreciated on a declining balance basis at 50% of net asset value at the start of the year, over 4 years. Vehicles are depreciated on a reducing balance basis at 40% of net asset value at the start of the year, over 7 years.

Intangible Assets: Computer software and licenses including the costs for external software development are amortized on a declining balance basis at 50% of net asset value at the start of the year, over 4 years.

Work in Progress: Includes assets under construction, or subject to installation and commissioning processes. Amounts shown may include part / full payments for assets whose beneficial ownership has passed over to the Organization. No depreciation or amortization is recorded until the asset is considered in service.

Heritage Assets: From time to time, the Organization receives donations of the free use of works of art from member countries or other institutions. Such assets are not recognized by the Organization in its financial statements, as it is not intended that they will be sold.

Inventories are valued at the lower of cost or net realizable value, using the average cost method.

Cash and Cash Equivalents and Investments: The Organization holds cash on hand, bank balances and makes investments in a number of currencies for operational purposes, all of which are subject to its Treasury Management policy.

The amount of Cash and Cash Equivalents held by the Organization includes sums that have specific uses and are considered as restricted. Included in restricted cash and cash equivalents are amounts set aside for the Supplementary Retirement Scheme, the Defined Contribution Pension Scheme, and the Japanese Specific Account that is held for salaries and allowance paid to officials seconded from Japan. Project Trust Accounts are also considered restricted use amounts.

Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk in value.

Investments are made by the Organization with the intention to hold them to maturity. They are carried at cost and the fair market value is disclosed in the notes but not recognized in the Statement of Financial Performance. Financial Interest Receivable on investments is shown in Accounts Receivable.

Statutory Contributions Receivable and Accounts Receivable: Statutory Contributions and Accounts Receivable are stated at their nominal amount and reduced by allowances for estimated irrecoverable amounts.

Statutory contributions are assessed at the start of the year and are due by 30 April of the year.

Members with unpaid contributions extending beyond two financial years fall under Article 52 of the General Regulations of the Organization (“Article 52”) and have their right to vote at GA sessions suspended, along with other penalties. Under the Organization’s Financial Regulations a portion of the GRF is also required to cover for such amounts.

The Organization may conclude specific agreements, including repayment terms and conditions, allowing the member country to honor their statutory contribution obligations. Member country statutory contributions covered under these long-term debt-rescheduling agreements may have both current and non-current portions.

Member country dues not falling under either category, “Article 52” or debt-rescheduling agreements, are shown as residual items.

No allowance for potential loss is recognized on member country statutory contributions receivables except when the Organization has been notified that specific member countries will be unable to pay the balance owing.

Employee Future Benefits: The Organization’s contributions towards employee future benefits, including from Project Trust Accounts, are recorded as Pay Costs in the Statement of Financial Performance.

These employee future benefits are recorded as accrued liabilities on the Statement of Financial Position. Personnel have acquired these benefits according to their contractual employment rights at the Organization, and are comprised of both:

- Contributions from the Organization's Regular Budget or from Project Trust Accounts;
- Deduction from staff pay, as applicable.

Internal Scheme for Involuntary Loss of Employment (ISCILE): The Organization administers an internal scheme to compensate individuals facing involuntary loss of employment. The scheme is funded entirely by the Organization’s contributions. Payments are made on a declining basis for consecutive years of an individual not finding alternate employment, per rules specified in the staff manual.

Indemnity on Retirement and Supplementary Retirement Scheme: The Organization offers an indemnity on retirement and supplementary retirement benefits to its employees depending on seniority and service which are entirely funded by the Organization’s contributions. Estimates of the impact of the indemnity upon retirement are made at the statement of financial position date and recognized in the statement of financial performance.

Defined Contribution Pension Scheme: The Organization administers a defined contribution pension scheme for all employees who choose to participate in it, for which the Organization contributes at an agreed level relative to an individual employee’s contribution. The pension scheme is not legally separated from the Organization. Currently the pension scheme is administered internally: both the assets and the liabilities of the pension scheme are shown within the Organization’s Statement of Financial Position and in note 8 *Cash and Cash Equivalents* under *Cash with Restricted Use,* and note 17 *Employee Future Benefits*. The financial assets under this pension scheme are held and managed by the Organization alongside its own financial assets.

The Organization is currently in discussion for the creation of a defined benefit scheme with an administrative mechanism that will be governed separately from the Organization.

Financial Risk Management: The Organization’s Financial Risk Management objective is to ensure that its budgets are achieved, the Organization’s progress continues as planned, within the framework of the priorities it sets for itself and the associated program of activities that are agreed at the GA. The Financial Risk Management policies are framed within the context of its Financial Regulations.

The Organization invests its own surplus funds as well as the funds held for the Defined Contribution Pension and Supplementary Retirement Schemes and the Project Trust Accounts. The Organization is exposed to a variety of financial risks associated with the use of financial instruments as follows:

a. *Currency Risk*

The Organization operates bank accounts in Euros (EUR), United States Dollars (USD), Kenyan Shillings (KES), Thailand Baht (THB), Argentina Pesos (ARS), Singapore Dollars (SGD) and Central and West African Francs (XAF - XOF). As a result of conversion of the foreign currency balances held in these accounts to Euros at the balance sheet date, currency risk is incurred due to variation in the EUR values of the converted balances.

In order to minimize currency risk, the Organization has in place a Treasury Policy to:

- optimize the numbers of the various currencies employed and the exchange transactions for conversion from one to the other;
- manage foreign currencies according to operational needs, under the guidance of its Investment Committee;
- make remittances in EUR wherever possible instead of in USD, to IGCI and the various RBs and LOs for conversion into local currency for use at these locations;
- increase frequency of remittances to the IGCI and the RBs and LOs so as to reduce the level of local currency holdings.

b. *Interest Rate Risk*

Investments of the Organization in short-term maturity instruments with its banks or in asset management schemes are subject to fluctuating returns, on account of market-driven interest rates. This may have a bearing on the level of the expenditure budget that is supported by the Organization.

Investments to earn financial interest income are made by the Organization subject to “Security, Liquidity and Profitability” criteria, ranked in that order, as specified by its Financial Regulations.

c. *Credit Risk*

The Organization is exposed to counterparty credit risk from accounts receivable including statutory member-country dues and from its transactions with banks and asset management companies for cash, cash equivalents and investments. This risk is managed by:

- holding bank balances or investments in well-recognized banking institutions rated “A” (Standard & Poor’s) or higher;
- investing only in AAA-rated (Standard & Poor’s) money-market funds for short-term maturities;
- holding adequate reserves in its GRF against the non-collection of member-country dues.

The Financial Regulations of the Organization specify conditions for choosing among various financial institutions and banks.

A fluctuation in the values of the financial assets of the Organization has a bearing on its net worth and affects its continuing progress towards achieving its objectives. The Organization does not require any collateral or security to support financial instruments and other receivables, due to the low level of the residual risk remaining after mitigation as above.

In respect of accounts receivable including statutory member-country dues, provisions have been made for amounts considered uncollectible or doubtful. In respect of Project Trust Accounts, counterparty financing risk is mitigated by having a signed agreement and ensuring the receipt, as far as possible, of adequate project funding in advance of the commitment of project funds.

d. *Liquidity Risk*

The Organization manages its current liquidity by continually monitoring its receivables position, its available funds and proposed or on-going expenditure commitments. Resource allocations for activities are made against available or committed and due funds only, generally before the start of the activity.

The Organization is subject to liquidity risk due to the possible non-timely conversion of its receivables into liquid funds that can be applied to maturing commitments. Safeguards against this risk are specified in the Financial Regulations requiring the maintenance of a certain level of the GRF. The Financial Regulations also specify that member countries pay their contribution dues to the Organization each year before the end of April.

In respect of its financial investments, liquidity risk arises on account of adverse market conditions that could prevent an orderly exit or cause a loss on exit from investments. This risk is mitigated for the Organization by diversifying the types of its investments.

The Organization also matches the liquidity profiles of its investments with the overall longer-term resources that are available, choosing to invest up to 75% only of the latter in longer-term investments, with the balance held on remunerated bank balances.

Accounting standards issued but not yet effective: In 2016, the International Public Sector Accounting Standards Board published IPSAS 39 – Employee Benefits. IPSAS 39 will replace IPSAS 25 – Employee Benefits, on 1 January 2018, with an earlier adoption encouraged. The Organization is currently analyzing the impact of the new standard to the financial statements.

Note 6: Accounting judgements and estimates

In the application of the Organization's accounting policies management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. While the estimates and underlying assumptions are reviewed on an ongoing basis, the effects of revisions to accounting estimates are recognized in the period in which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Estimates include, but are not limited to: valuation of in-kind revenue and expenses for seconded officials and the free-use of buildings and equipment; indemnity benefits on retirement; accrued charges; provision for financial risk on inventories and accounts receivable; contingent assets and liabilities; degree of impairment of fixed assets and the estimated useful lives of property, plant and equipment.

Note 7: Restatement of Prior Year Balances

The following restatement of 2015 has been undertaken to correct errors in the prior year's financial statements:

1. **Employee Future Benefits:** The calculation of the Current and Non-Current portions of Employee Future Benefits was done inaccurately. The correction increases Current Employee Future Benefits by EUR 3.178 million and reduces Non-Current Employee Future Benefits by the same amount. Note 17 was adjusted accordingly.

2. **Prepaid Expenses and Accounts Payable and Accrued Charges:** Certain invoices were classified as Prepaid expenses when services or goods were rendered or received in the following year and payments were also made in the following year. The correction reduces both Prepaid Expenses and Accounts Payable and Accrued Charges by EUR 659,000. Note 14 was adjusted accordingly.

3. **Other Income and Pay Costs:** Internal taxes are withheld from employees of the Organization. The liability was previously shown as Other Income and double counted in Pay Costs. The correction reduces both Other Income and Pay Costs by EUR 922,000. Notes 28 and 29 were adjusted accordingly.

4. **Reimbursements and Recoveries and Pay Costs:** The Organization makes payments to certain officials under instructions from the member country and is reimbursed by the member country. The Organization was recognising a revenue and an expense for these transactions under Reimbursements and Recoveries and Pay Costs. In fact, the Organization was only acting as an intermediary between the member country and its officials and no revenue and expense should have been recorded. The correction reduces both Reimbursements and Recoveries and Pay costs by EUR 310,000. Notes 28 and 29 were adjusted accordingly.

5. **In-Kind Contributions and In-Kind Pay Costs:** Certain officials were inappropriately excluded from the calculation of In-Kind Pay Costs. The correction increases both In-Kind Contributions and In-Kind Pay Costs by EUR 498,000. Notes 28 and 29 were adjusted accordingly.

6. **In-Kind Contributions and In-Kind Premises Running Costs**: An inaccurate floor area was used for the calculation of In-Kind Premises Running Costs at one location. The correction increases both In-Kind Contributions and In-Kind Premises Running Costs by EUR 2.115 million. Notes 28 and 29 were adjusted accordingly.

7. **Accounts Receivable (Receivable on Project Trust Accounts) and Accounts Receivable (Other Receivables):** Some accounts receivable related to Project Trust Accounts were inappropriately presented with Other Receivables instead of being presented with Receivable on Project Trust Accounts. The correction increases Receivable on Project Trust Accounts by EUR 2.548 million and reduces Other Receivables by the same amount in Note 11.

8. **Reimbursements and Recoveries and Pay Costs:** A combination adjustment related to Pay Costs was not properly recorded. The correction decreases both Reimbursements and Recoveries and Pay Costs by EUR 767,000. Notes 28 and 29 were adjusted accordingly.

Note 8: Cash and Cash Equivalents

The Organization holds cash and cash equivalents in a number of currencies, for operational purposes. The Organization has no credit lines nor does it utilize any bank overdrafts.

EUR 000s	**31 December**	
	2016	**2015**
Cash	14,728	4,962
Cash Equivalents	85,667	70,152
TOTAL	**100,395**	**75,114**

EUR 000s	**31 December**	
	2016	**2015**
Euros	92,701	71,116
Other Currencies	7,694	3,998
TOTAL	**100,395**	**75,114**

Cash and Cash Equivalents with Restricted Use:

Included within the cash and cash equivalents are amounts that are held for specific purposes as below:

EUR 000s	**Notes**	**31 December**	
		2016	**2015**
Project Trust Accounts	**16**	49,742	29,288
Defined Contribution Pension Scheme	**17**	17,927	16,799
Employee Future Benefits - Supplementary retirement	**17**	3,913	3,770
Japanese special account	**15**	541	525
TOTAL		**72,123**	**50,382**

Note 9: Investments

Name and Location of Investment	**Scheme**	**Currency (000)**	**31 December**	
			2016	**2015**
Current				
HSBC (France)	Savings	EUR	-	2,846
Total - Current			**-**	**2,846**
Non-Current				
HSBC (France)	DAT	EUR	31	31
Royal Bank of Canada (France)	EMTN	EUR	4,000	-
Total – Non-Current			**4,031**	**31**
TOTAL			**4,031**	**2,877**

Legend: DAT = Term Deposit linked to bank guarantee; Savings = Treasury Corporate Savings Account. EMTN: Euro Medium Term Note.

Note 10: Statutory Contributions Receivable

EUR 000s	**31 December**	
	2016	**2015**
Current		
Member Country dues under Article 52	*3,518*	*3,143*
Less: Allowance for doubtful debts	*(1,073)*	*-*
Net Member Country dues under Article 52	2,445	3,143
Member Countries under debt-rescheduling agreements	38	85
Other member country dues	574	1,285
Total - Current	**3,057**	**4,513**
Non-Current		
Member Country dues under debt-rescheduling agreements	252	285
Total – Non-Current	**252**	**285**
TOTAL	**3,309**	**4,798**

Note 11: Accounts Receivable

EUR 000s	31 December	
	2016	**2015** *Restated Note 7*
Staff Loans	273	335
Receivable on Project Trust Accounts	5,178	4,288
Financial Interest Receivable	250	367
Other Receivables	*1,104*	*1,058*
Provision for Doubtful Debts	*(115)*	*(166)*
Net Other Receivables	989	892
VAT Recoverable	*1,153*	*1,634*
Provision for VAT Recoverable	*(16)*	*(16)*
Net VAT Recoverable	1,137	1,618
TOTAL	**7,827**	**7,500**

Note 12: Intangible Assets

Intangible Assets: These consist of software and licenses.

EUR 000s	**Balance at 31 December 2014**	**Additions / Depreciation**	**Disposals**	**Balance at 31 December 2015**	**Additions/ Depreciation**	**Disposals**	**Balance at 31 December 2016**
Cost							
Software	15,518	722	-	16,240	643	-	16,883
Work in process	-	-	-	-	141	-	141
Total Cost	**15,518**	**722**	**-**	**16,240**	**784**		**17,024**
Accumulated Amortization							
Software	(14,220)	(890)	-	(15,110)	(703)	-	(15,813)
Work in process	-	-	-	-	-	-	-
Total accumulated amortization	**(14,220)**	**(890)**	-	**(15,110)**	**(703)**	-	**(15,813)**
Net Book Value							
Software	1,298	(168)	-	1,130	(60)	-	1,070
Work in process	-	-	-	-	141	-	141
Net	**1,298**	**(168)**	-	**1,130**	**81**	-	**1,211**

Note 13: Plant, Property and Equipment

Buildings: The headquarters building in Lyon, France is owned by the Organization. The land on which the building is constructed is owned by the City of Lyon and is leased rent-free to the Organization for a period of 99 years from 1985. At the end of the lease, both the title of the building and the land will pass to the City of Lyon. No recognition of the rent-free use of the land is made in the financial statements.

Fixtures and Fittings: Includes office equipment and sports equipment.

Equipment and other assets: Consist of computer hardware and telecommunications equipment including computers, printers, laptop computers, routers/switches and communications systems, as well as the Organization's vehicles.

EUR 000s	**Balance at 31 December 2014**	**Additions / Depreciation**	**Disposals**	**Balance at 31 December 2015**	**Additions / Depreciation**	**Disposals**	**Balance at 31 December 2016**
Cost							
Buildings	18,582	**-**	**-**	18,582	-	-	18,582
Fixtures and Fittings	25,220	3,646	(304)	28,562	1,234	(124)	29,672
Equipment and other assets	12,256	1,989	(204)	14,041	1,158	(470)	14,729
Work in process	2,581	**-**	(2,455)	126	-	-	126
Total Cost	**58,639**	**5,635**	**(2,963)**	**61,311**	**2,392**	**(594)**	**63,109**
Accumulated Depreciation							
Buildings	(10,925)	(460)	-	(11,385)	(460)	-	(11,845)
Fixtures and Fittings	(18,133)	(1,983)	280	(19,836)	(2,411)	124	(22,123)
Equipment and other assets	(10,062)	(1,602)	204	(11,460)	(1,514)	470	(12,504)
Work in process	-	-	-	-	-	-	-
Total accumulated depreciation	**(39,120)**	**(4,045)**	**484**	**(42,681)**	**(4,385)**	**594**	**(46,472)**
Net Book Value							
Buildings	7,657	(460)	-	7,197	(460)	-	6,737
Fixtures and Fittings	7,087	1,663	(24)	8,726	(1,177)	-	7,549
Equipment and other assets	2,194	387	-	2,581	(356)	-	2,225
Work in process	2,581	**-**	(2,455)	126	-	-	126
Net	**19,519**	**1,590**	**(2,479)**	**18,630**	**(1,993)**	-	**16,637**

Note 14: Accounts Payable and Accrued Charges

EUR 000s	31 December	
	2016	**2015** *Restated Note 7*
Creditors for goods and services	4,984	4,786
Social security and insurance payable	1,605	1,956
Other creditors	331	213
TOTAL	**6,920**	**6,955**

Note 15: Contributions Received in Advance

EUR 000s	31 December	
	2016	**2015**
Statutory contributions received in advance	8,248	6,123
Japanese special account	541	525
Other income received in advance	46	66
TOTAL	**8,835**	**6,714**

Note 16: Project Trust Accounts

EUR 000s	**Trust funds**	**Special accounts**	**Total**
Balance at 31 December 2014	**-**	**26,644**	**26,644**
Funds received during the year	340	25,949	26,289
Income recognized during the year	(40)	(23,605)	(23,645)
Balance at 31 December 2015	**300**	**28,988**	**29,288**
Funds received during the year	7,837	35,163	43,000
Income recognized during the year	(665)	(21,881)	(22,546)
Balance at 31 December 2016	**7,472**	**42,270**	**49,742**

Note 17: Employee Future Benefits

EUR 000s	31 December 2016	31 December 2015 *Restated Note 7*
Current		
ISCILE	813	772
Employee Future Benefits - Indemnity on retirement	878	984
Employee Future Benefits - Supplementary retirement	784	865
Employee leave not taken	2,793	2,848
Defined Contribution Pension Scheme	2,841	3,144
Total - Current	**8,109**	**8,613**
Non-Current		
ISCILE	443	482
Employee Future Benefits - Indemnity on retirement	402	486
Employee Future Benefits - Supplementary retirement	3,129	2,905
Defined Contribution Pension Scheme	15,086	13,655
Total – Non-Current	**19,060**	**17,528**
TOTAL	**27,169**	**26,141**

EUR 000s	**ISCILE**	**Indemnity on retirement**	**Supplementary retirement**	**Employee leave not taken**	**Defined contribution pension scheme**	**TOTAL**
Balance at 31 December 2014	**1,038**	**1,239**	**3,377**	**2,794**	**13,282**	**21,730**
Recognized in the statement of financial performance	410	339	900	203	2,470	4,322
Items not in the statement of financial performance						
- Staff contribution	-	-	-	-	1,578	1,578
- Financial Interest Income	-	-	15	-	88	103
- Settlement of liabilities	(194)	(109)	(522)	(149)	(618)	(1,592)
Balance at 31 December 2015	**1,254**	**1,469**	**3,770**	**2,848**	**16,800**	**26,141**
Recognized in the statement of financial performance	469	(130)	863	221	2,298	3,721
Items not in the statement of financial performance						
- Staff contribution	-	-	-	-	1,504	1,504
- Financial Interest Income	-	-	67	-	218	285
- Settlement of liabilities	(467)	(59)	(787)	(276)	(2,893)	(4,482)
Balance at 31 December 2016	**1,256**	**1,280**	**3,913**	**2,793**	**17,927**	**27,169**

Supplementary retirement and the Defined contributions pension scheme have a corresponding asset, a savings account, which has been designated as *Cash and Cash Equivalents with Restricted Use* in Note 8.

The Defined contribution pension scheme, offered to contracted officials of the Organization, had 277 members enrolled out of a total of 529 contracted officials (2015: 321 of 567).

Note 18: Financial Instruments

Financial Instruments employed by the Organization are as follows:

EUR 000s	31 December			
	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Financial Assets				
Cash and Cash Equivalents	100,395	100,395	75,114	75,114
Classified as Loans and Receivables				
Accounts Receivable	7,827	7,827	7,500	7,500
Statutory Contributions Receivable	3,309	3,309	4,798	4,798
Classified as Held to Maturity				
Investments	4,031	4,159	2,877	2,877
TOTAL	**115,562**	**115,690**	**90,289**	**90,289**
Financial Liabilities				
Accounts Payable and Accrued Charges	6,920	6,920	6,955	6,955
Project Trust Accounts	49,742	49,742	29,288	29,288
TOTAL	**56,662**	**56,662**	**36,243**	**36,243**

The financial instruments of the Organization are recognized at their amortized cost. The fair value of investments is provided by banks or investment portfolio managers based on price models using observable market prices (level 2). For all other financial instruments, the carrying value is a reasonable approximation of their fair value.

Note 19: Capital Financing Reserve

The Capital Financing Reserve forms part of the Organization's Equity and is an exact balance of the fixed assets owned by the Organization. Purchases of fixed assets add to the reserve, while disposals and sales of fixed assets, and depreciation, reduce it.

Note 20: Accumulated Reserve Funds

The Organization's funds are created by GA resolution, which determine the use and limits of each of the funds. Accumulated Reserve Funds constitute the reserves of the Organization, comprising the five funds covered in notes 21 to 25. They are added to by surpluses and reduced by deficits of the Organization each year, according to the use of the budgets that are linked to them. Allocations of amounts in the funds represent the commitment of the Organization to a certain activity and withdrawals from these funds represent the support for such activity.

Note 21: General Reserve Fund (GRF)

The GRF is a Statutory Fund of the Organization, required under the Financial Regulations and created by GA Resolution AG/52/RES/7, and is the primary operating reserve of the Organization. General Budget surpluses and deficits add to or reduce from the level of this Fund. Transfers to and from the GRF are by GA resolutions. The Financial Regulations stipulate a statutory level on the GRF.

In 2016 the net operating result from the Regular Budget was a surplus of EUR 271,000 (2015: deficit of EUR 2.532 million), of which a surplus of EUR 170,000 (2015: deficit of EUR 2.682 million) is attributable to the GRF and a surplus of EUR 101,000 (2015: EUR 150,000) to the RB Reserve Fund. Following GA approval, a sum of EUR 1 million (2015: nil) was transferred from the CIF to the GRF to increase the compliance level of this Fund.

STATUTORY LEVEL OF THE GRF

There are two stipulations in the Financial Regulations regarding the level of the GRF: that the reserve, cumulated with the Permanent Fund for Crisis Relief, is sufficient to cover at least: i) one sixth of the operating expenditure on the Organization's Regular Budget for the previous financial period, excluding expenditure to cover for depreciation allocations and expenditure valued on an in-kind basis; ii) 117% of the net outstanding statutory contributions receivable from member countries covered under Article 52.

(i) Operating Expenses: Regular Budget operating expenses net of depreciation and in-kind expenditure were EUR 56.812 million in 2016, (2015: EUR 58.461 million), requiring EUR 9.469 million (2015: EUR 9.744 million) to be set aside as a reserve requirement to cover operating expenses.

(ii) Dues under Article 52: At 31 December 2016, the net amount outstanding from member country statutory contributions from member countries subject to Article 52 was EUR 2.445 million (2015: EUR 3.143 million) as shown in Note 10. The reserve for dues under article 52 is hence EUR 2.861 million (2015: EUR 3.677 million).

The total reserve requirement is therefore EUR 12.330 million (2015: EUR 13.421 million). The current level of the GRF, cumulated with the Permanent Fund for Crisis Relief, is EUR 14.599 million (2015: EUR 13.429 million)). The GRF balance, cumulated with the balance of the Permanent Fund for Crisis Relief is thus in compliance with the requirements of the Financial Regulations with a margin of EUR 2.269 million or 16% of the current level of the two funds (2015: EUR 8,000 or 0.1%).

Note 22: Permanent Fund for Crisis Relief (PFCR)

The PFCR was created in 2005 by GA resolution AG-2005/RES-08, with an initial allocation transferred to it from the GRF. This fund exists to enable the Organization to respond immediately to crises or emergencies anywhere in the world. It is funded directly from voluntary member country contributions, in response to a specific call by the Organization, or by amounts transferred to it from other reserve funds, out of available surpluses in each financial year, following GA approval. The mandated level of the fund is EUR 855,000.

In 2016, there were no expenditures against the PFCR, thereby maintaining the level against its mandated level.

Note 23: Special Allocations Fund (SAF)

The SAF was created by GA resolution AG/67/RES/5. The SAF is a supplemental reserve fund financed from voluntary contributions of member countries, over and above their statutory contributions. Amounts received from third-party donors with no defined project agreed beforehand, may also be added to the SAF. SAF funds are deployed by the Organization in supporting its extra-budgetary regional activities and investments, or for specific, internally conceived and directed projects. There is no mandated level for the SAF.

In 2016 the net result was a deficit of EUR 251,000 (2015: EUR 647,000), which reduced the overall level of the fund to EUR 783,000 (2015: EUR 1.034 million).

The Financial Regulations now allow voluntary contributions to be received into the Regular Budget. The residual balance of the SAF will be transferred to the GRF in 2017.

Note 24: Capital Investment Fund (CIF)

The CIF is a Statutory Fund of the Organization, created by GA Resolution AG/52/RES/7. It is employed to finance acquisitions of fixed assets for the entire Organization, including for the RBs and LOs. The CIF is reduced when purchases of fixed assets are made and added to by the amount of annual depreciation computed on the fixed assets of the Organization. It can also be replenished via direct sequestration of statutory contributions, or through transfers from the GRF and from other specific reserves, following a GA resolution. There is no mandatory level of this fund. However, there needs to be adequate funds available for the capital expenditure budget of the Organization for the following year. A sum of EUR 1 million (2015: nil) was transferred from the CIF to the GRF to increase the compliance level of the latter.

The CIF increased by EUR 912,000 (2015: EUR 1.057 million) from EUR 7.434 million on 31 December 2015 to EUR 8.346 million on 31 December 2016.

Note 25: RB Reserve Fund

This is a Statutory Fund created by GA Resolution AG/63/RES/5. It is funded by member country statutory contributions from countries that are attached to each RB. It is reduced by operating expenditure (excluding pay costs that are funded by the General Budget) of each RB. Each RB is treated separately within the fund, although the overall level of the fund is the sum for all of the RBs. There is no stipulated level for this fund.

The net operating surplus for RB operations of EUR 101,000 in 2016 (2015: EUR 150,000) increased the level of the RB Reserve Fund to EUR 1.501 million (2015: EUR 1.4 million).

Note 26: Combined Budget

The Revised Combined Budget is the approved budget for the Organization that contains re-allocations from the GA-approved combined budget, approved by the EC at its March 2016 session for the Regular Budget. Project Trust Accounts Budgets were increased throughout 2016 as additional projects were approved according to the Organization's Financial Regulations.

EUR 000s	**General Assembly Approved Combined Budget 2016**				**Revisions**				**Revised Combined Budget 2016**			
	Total	**Regular Budget**	**Project Trust Accounts**	**Combination Adjustment**	**Total**	**Regular Budget**	**Project Trust Accounts**	**Combination Adjustment**	**Total**	**Regular Budget**	**Project Trust Accounts**	**Combination Adjustment**
Operating Revenue												
Statutory Contributions	52,783	52,783	-	-	-	-	-	-	52,783	52,783	-	-
Regional Bureau Financing	1,230	1,230	-	-	-	-	-	-	1,230	1,230	-	-
In-Kind Contributions	33,159	32,336	823	-	-	-	-	-	33,159	32,336	823	-
Voluntary Contributions	480	480	-	-	96	96	-	-	576	576	-	-
Reimbursements and Recoveries	11,685	2,872	10,073	(1,260)	21,845	135	22,449	(739)	33,530	3,007	32,522	(1,999)
Financial Income	500	500	-	-	-	-	-	-	500	500	-	-
Other Income	1,110	1,110	-	-	251	251	-	-	1,361	1,361	-	-
Exchange Rate Gains/(Losses) Net	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Revenue	**100,947**	**91,311**	**10,896**	**(1,260)**	**22,192**	**482**	**22,449**	**(739)**	**123,139**	**91,793**	**33,345**	**(1,999)**
Operating Expenses												
Pay Costs	46,049	41,619	4,430	-	7,984	-	7,984	-	54,033	41,619	12,414	-
In-Kind Pay Costs	24,392	23,569	823	-	-	-	-	-	24,392	23,569	823	-
Other Staff Costs	1,403	1,361	42	-	144	(114)	258	-	1,547	1,247	300	-
Premises Running Costs	2,793	2,793	64	(64)	400	345	55	-	3,193	3,138	119	(64)
In-Kind Premises Running Costs	8,767	8,767	-	-	-	-	-	-	8,767	8,767	-	-
Maintenance	2,915	2,731	184	-	135	63	72	-	3,050	2,794	256	-
Missions and Meetings	7,375	4,395	2,980	-	8,690	(12)	8,702	-	16,065	4,383	11,682	-
Office Expenses	2,129	1,751	378	-	420	(75)	495	-	2,549	1,676	873	-
Telecommunication Costs	1,362	1,269	93	-	338	267	71	-	1,700	1,536	164	-
Third Party and Other Costs	1,445	739	1,902	(1,196)	4,120	47	4,812	(739)	5,565	786	6,714	(1,935)
Depreciation and Amortization	4,800	4,800	-	-	(39)	(39)	-	-	4,761	4,761	-	-
Total Operating Expenses	**103,430**	**93,794**	**10,896**	**(1,260)**	**22,192**	**482**	**22,449**	**(739)**	**125,622**	**94,276**	**33,345**	**(1,999)**
Surplus / (Deficit) for the year	**(2,483)**	**(2,483)**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,483)**	**(2,483)**	**-**	**-**

Note 27: Financial Performance on Regular and Specific Budgets for 2016

EUR 000s	**TOTAL**	**Regular Budget**	**Specific Budgets**		**Combination Adjustment**
			Project Trust Accounts	**Special Allocations Fund**	
Operating Revenue					
Statutory Contributions	52,783	52,783	-	-	-
Regional Bureau Financing	1,230	1,230	-	-	-
In-Kind Contributions	32,597	31,958	639	-	-
Voluntary Contributions	3,551	3,551	-	-	-
Reimbursements and Recoveries	21,976	3,096	21,827	(12)	(2,935)
Financial Income	631	631	-	-	-
Other Income	653	653	-	-	-
Exchange Rate Gains/(Losses) Net	307	227	80	-	-
Total Operating Revenue	**113,728**	**94,129**	**22,546**	**(12)**	**(2,935)**
Operating Expenses					
Pay Costs	49,941	41,410	8,691	188	(348)
In-Kind Pay Costs	20,508	19,869	639	-	-
Other Staff Costs	1,566	1,285	268	13	-
Premises Running Costs	2,992	2,991	76	-	(75)
In-Kind Premises Running Costs	12,089	12,089	-	-	-
Maintenance	2,524	2,430	98	-	(4)
Missions and Meetings	12,539	3,938	8,641	26	(66)
Office Expenses	2,712	1,844	902	-	(34)
Telecommunication Costs	1,052	1,019	97	-	(64)
Third Party and Other Costs	2,697	1,895	3,134	12	(2,344)
Depreciation and Amortization	5,088	5,088	-	-	-
Total Operating Expenses	**113,708**	**93,858**	**22,546**	**239**	**(2,935)**
Surplus/(Deficit) for the year	**20**	**271**	**-**	**(251)**	**-**

Note 28: Financial Performance – Operating Revenue Detail

EUR 000s	**Revised Combined Budget 2016**	**Actual 2016**	**Actual 2015** *Restated Note 7*
Statutory Contributions	**52,783**	**52,783**	**52,783**
Regional Bureau Financing	**1,230**	**1,230**	**1,195**
In Kind Pay Costs		20,508	21,323
In-Kind Premises Running Costs		12,089	12,050
In-Kind Contributions	**33,159**	**32,597**	**33,373**
Member Country Contributions		551	561
INTERPOL Foundation for a Safer World		3,000	-
Voluntary Contributions	**576**	**3,551**	**561**
Project Trust Account Income		21,827	22,566
Other reimbursements		149	1,564
Reimbursements and Recoveries	**33,530**	**21,976**	**24,130**
Financial Income	**500**	**631**	**657**
I-Checkit Revenue		265	265
Other Revenue		388	315
Other Income	**1,361**	**653**	**580**
Exchange Rate Gains/(Losses) Net	**-**	**307**	**364**
Total Operating Revenue	**123,139**	**113,728**	**113,643**

The main variances are:

1. *Voluntary contributions* - increased primarily due to the contribution from the INTERPOL Foundation for a Safer World;

2. *Reimbursements and Recoveries* - decreased primarily as a result of a reduction in the implementation of Project Trust Accounts and hence income;

3. *Other income* – decreased, in comparison to budget, due to a correction in the accounting treatment of internal taxes.

Note 29: Financial Performance – Operating Expense Detail

EUR 000s	**Revised Combined Budget 2016**	**Actual 2016**	**Actual 2015** *Restated Note 7*
Salaries		30,363	31,693
Employee Charges		11,017	11,757
Allowances		8,561	7,291
Pay Costs	**54,033**	**49,941**	**50,741**
In-Kind Pay Costs	**24,392**	**20,508**	**21,322**
Training		261	231
Employee Welfare and Recruitment Costs		1,305	1,212
Other Staff Costs	**1,547**	**1,566**	**1,443**
Building Rental		1,688	1,801
Utilities and Other		1,304	1,342
Premises Running Costs	**3,193**	**2,992**	**3,143**
In-Kind Premises Running Costs	**8,767**	**12,089**	**12,051**
IT Equipment		1,847	1,667
Building Maintenance		677	651
Maintenance	**3,050**	**2,524**	**2,318**
Travel		10,033	9,623
Conferences and Events		2,506	3,115
Missions and Meetings	**16,065**	**12,539**	**12,738**
Consumables and Supplies		1,080	742
Equipment Hire and Other		1,632	1,399
Office Expenses	**2,549**	**2,712**	**2,141**
Network Costs		599	565
Communication Costs		453	705
Telecommunication Costs	**1,700**	**1,052**	**1,270**
Consultancy Expenses		1,239	2,318
Legal Provisions for Risks on Receivables		901	1,170
Equipment Donated		354	488
Other Administration Expenses		203	744
Third Party and Other Costs	**5,565**	**2,697**	**4,720**
Depreciation and Amortization	**4,761**	**5,088**	**4,935**
Total Operating Expenses	**125,622**	**113,708**	**116,822**

The main variances are:

1. *Pay costs* - decreased primarily as a result of a correction in the accounting treatment of payments to certain officials and in the accounting treatment of internal taxes. In addition, fewer staff under contract were employed;

2. *In-Kind Premises Running Costs* – increased, compared to budget, due to the use of an inaccurate floor area for the calculation of costs at one location;

3. *Missions and Meetings* and *Third Party and Other Costs* - decreased primarily as a result of a reduction in the implementation of Project Trust Accounts and hence operating expenses. In addition, cost-cutting measures have been put in place by the Organization.

Note 30: Operating Leases

Amounts payable after the balance sheet date for non-cancellable operating leases for leased office premises at Cité Internationale in Lyon and in Brussels are as follows:

EUR 000s	**2016**	**2015**
Not more than 1 year	1,401	1,214
Later than one year and not later than 5 years	5,605	6,069
Later than 5 years	1,374	-

Note 31: Contingent Assets, Liabilities and Commitments

Contingent assets

As at the reporting date ICPO-INTERPOL has the following contingent assets:

EUR 000s	**2016**
Statutory Contributions and RB financing for 2017	55,635
Revenue for the implementation of Project Trust Accounts not already received	73,605
Voluntary contributions	12,000
Other revenue	310
TOTAL	**141,550**

Of the above, EUR 87.899 million is to be received in 2017 and EUR 53.651 million is to be received after 2017.

The Organization has entered into a 5 year agreement with the INTERPOL Foundation for a Safer World for a EUR 50 million donation to support the execution of special projects. The total amount is to be received annually in equal amounts over 5 years. EUR 35 million (EUR 7 million per year) is to be received into specific sub-accounts of the Trust Fund, the "ICPO - INTERPOL Fund for International Police Cooperation", and EUR 15 million (EUR 3 million per year) is designated as an unrestricted voluntary contribution with no specific purpose to the Organization's Regular Budget. The EUR 35 million is covered under accounting policies governing Project Trust Accounts: overhead recoveries, expert fees and applicable service charges for project activities are recognized on these projects as for other projects within the Trust Fund.

The INTERPOL Foundation for a Safer World was created and registered under Swiss law in October 2013 with the aim of supporting global law enforcement activities. The INTERPOL Foundation has its own board of management, is autonomous and independent of the Organization and is not considered a related party.

Contingent liabilities

ICPO-INTERPOL has no contingent liabilities for legal claims against the Organization.

Commitments

Outstanding commitments for signed contracts with suppliers: EUR 4.728 million.

Of the above, EUR 3.617 million are for 2017 and the remainder not later than 5 years.

Future minimum lease rental payments for non-cancellable leases not included in the above are presented in note 30.

Note 32: Key management personnel

Implementation of activities is performed by the Secretary General who directs the Secretariat and is assisted by a Senior Management Board that reports directly to him. Together, the Secretary General and the Senior Management Board comprise the key management personnel. There were changes to the composition of the Senior Management Board during the year, with one post remaining vacant.

Key management aggregate remuneration, including gross salary and benefits, paid or accrued by the Organization, was as follows:

Key Management Personnel			
2016		**2015**	
Number of individuals	**Aggregate remuneration**	**Number of individuals**	**Aggregate remuneration**
	000 Euros		*000 Euros*
5	655	5	667

The Secretary General is provided with on-site, rent-free accommodation for which no equivalent market value is possible. In addition, he is provided with a flat in Lyon, France, for which rent is paid by the Organization. The costs associated with the latter were EUR 18,000 (2015: nil), and these are not included in the above table.

Key management personnel include 3 officers that are seconded from their national administrations (2015: 3) and whose expenses may, in part, be paid by the national administration as described in note 5, *Significant Accounting Policies, Revenue Recognition*. The total value of the in-kind benefit that the Organization received from its seconded key management personnel, and not included in the above table, is estimated as EUR 280,000 (2015: EUR 287,000).

There were no loans to key management personnel or their close family members which were not available to other categories of staff. There were no material transactions declared by Senior Management with related parties during years 2016 and 2015.

Note 33: Related-party transactions

The Organization is under the direct control of the member countries. It has no ownership interest in other associations or joint ventures. The Organization's supreme governing body is the General Assembly (GA), composed of representatives from all of the member countries. The GA elects an Executive Committee (EC) composed of thirteen delegates including the President of the Organization.

Neither the delegates to the GA nor the EC members, receive any remuneration from the Organization for their roles nor is the contribution of their time valued as an in-kind contribution. Members of the EC are entitled to reimbursement of travel expenses incurred in the execution of their duties, and are paid per-diems for accommodation, in accordance with the Organization's travel policy.

Note 34: Comparative figures

The financial statement presentation adopted for the current year is different than in the prior year. These changes to presentation were applied consistently to comparative figures to ensure comparability.